

Message Text

CONFIDENTIAL

PAGE 01 GEORGE 01642 01 OF 02 131751Z

41

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

----- 006303

O 131710Z SEP 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 295

C O N F I D E N T I A L SECTION 1 OF 2 GEORGETOWN 1642

EXDIS

E.O. 11652: GDS

TAGS: EINV, EMIN, GY

SUBJECT: REYNOLDS

DEPARTMENT PASS OPIC

1. SUMMARY. REYNOLDS TEAM MET WITH MINMINES JACK YESTERDAY AFTERNOON (SEPT. 12) AND HAS SECOND MEETING 4:30 THIS AFTERNOON, BUT IT SEEMS UNLIKELY THAT MORE CAN BE ACCOMPLISHED THAN TO LAY PROVEMURAL GROUNDWORK FOR COMPENSATION TALKS BEFORE REYNOLDS TEAM LEAVES FOR TALKS WITH SURINAM GOVT SCHEDULED FOR MONDAY SEPT 16. JACK CASUALLY EXPRESSED HIS DOUBTS ABOUT PROSPECTS FOR AGREEING ON COMPENSATION AND CONFUSED ISSUE BY REFERRING TO POSSIBILITY OF NEW LEGISLATION TO "NATIONALIZE" LESS THAN 100 PERCENT OF REYNOLDS HOLDINGS. RAMPHAL PROFESSED TO BE "MORE RELAXED" ABOUT THE WAY MATTERS ARE PROGRESSING AND BELIEVES REYNOLDS STATEMENT WILL BE ACCEPTED BY GOG FOR WHAT IT IS -A LEGALISTIC CONCERN FOR ESTABLISHING A CLEAR RECORD OF INVOLUNTARI- NESS- AND NOT AS REJECTION OF FURTHER NEGOTIATIONS. END SUMMARY.

2. ROBERTS AND GALEA OF REYNOLDS ARRIVAL FROM HAITI DELAYED UNTIL AFTER 2 P.M. YESTERDAY LEAVING TIME FOR ONLY BRIEF TELE-

PHONE CONVERSATION WITH AMBASSADOR AND HUNT BEFORE GOING IN TO 3:30 MEETING WITH GOG TEAM. GALEA REPORTED STATEMENT HAD BEEN REVISED IN LINE WITH COMMENTS FROM DEPARTMENT AND OPIC, AND READ NEW LANGUAGE FROM PENULTIMATE PARAGRAPH INDICATING FLEXIBILI- TY AS TO WHAT GOG STEPS MIGHT SUFFICE AS PRELIMINARY TO COMPEN- CONFIDENTIAL

CONFIDENTIAL

PAGE 02 GEORGE 01642 01 OF 02 131751Z

SATION NEGOTIATIONS. GALEA SAID MCCONNELL THOUGHT ENDERS HAD

URGED THAT REYNOLDS STATE ITS CLAIM FIGURE AT FIRST MEETING. OTHERS AT COMPANY RECALLED OTHERWISE. THEY HAD REQUESTED CLARIFICATION FROM DEPARTMENT AND WANTED TO KNOW IF WORD HAD REACHED EMBASSY, TO WHICH WE REPLIED IN NEGATIVE. OPIC REP HUNT SAID HIS UNDERSTANDING WAS THAT REYNOLDS WOULD JUST GIVE ITS STATEMENT AT FIRST MEETING, BUT THAT THEY SHOULD USE MEETING TO RESOLVE PROBLEM OF RECORD SO COMPENSATION TALKS COULD START NEXT DAY.

3. REYNOLDS TEAM CAME TO EMBASSY RIGHT AFTER THEIR MEETING WHICH HAD LASTED LESS THAN AN HOUR AND WHICH THEY DESCRIBED AS FRIENDLY. ROBERTS READ THE REYNOLDS STATEMENT AT THE OUTSET OF THE MEETING. JACK NOTED THAT GOG IS NOT LIMITED TO PROCEEDING UNDER 1971 LAW AND COULD ENACT NEW LEGISLATION WITH DIFFERENT PROCEDURES, WHICH MIGHT INVOLVE "NATIONALIZING" LESS THAN A 100 PERCENT INTEREST IN THE REYNOLDS GUYANA "ASSETS". JACK REPORTEDLY DID NOT DISCLOSE ANY RATIONALE FOR SUCH AN APPROACH, BUT REFERRED MORE THAN ONCE DURING MEETING TO THE CONCEPT OF NATIONALIZING 51 PERCENT OR SOME OTHER PERCENTAGE INTEREST. WHEN ROBERTS ASKED WHETHER THAT PERCENTAGE COULD BE AS LITTLE AS 49 PERCENT, JACK'S RESPONSE REAFFIRMED GOG OBJECTIVE OF ACQUIRING CONTROL. REYNOLDS TEAM SAYS IT DID NOT EXPRESS A POSITION ON THIS AT THE MEETING.

4. JACK SUGGESTED THAT AN EXCHANGE OF LETTERS MIGHT SUPPLY RECORD REYNOLDS WANTS RE NATIONALIZATION CONTEXT. REYNOLDS INDICATED INTEREST IN THIS APPROACH, BUT MEETING ENDED WITHOUT ANY ARRANGEMENTS HAVING BEEN MADE TO ACCOMPLISH THIS PRIOR TO SECOND MEETING AT 4:30 THIS AFTERNOON. JACK ASKED FOR A COPY OF REYNOLDS STATEMENT AND ASKED REYNOLDS TO FURNISH ITS COMPENSATION CLAIM FIGURE. ROBERTS PUT OFF RESPONSE ON BOTH POINTS.

5. THERE WAS NO MENTION OF TAX ISSUE AT THE MEETING AND NO MENTION OF COMPENSATION FIGURES OR VALUATION APPROACHES. JACK SAID HE EXPECTED THE GAP BETWEEN REYNOLDS AND GOG FIGURES TO BE WIDE AND HE EXPRESSED DOUBT THAT COMPENSATION COULD BE SETTLED BY NEGOTIATION. ATTORNEY GENERAL MOHAMED SHAHABUDDEEN ATTENDED FOR THE FIRST TIME.

6. REYNOLDS TEAM THOROUGHLY CONFUSED BY PARTIAL NATIONALIZATION IDEA, SEES NO WAY IN WHICH IT PROVIDES AN ACCEPTABLE APPROACH IF LOSS OF CONTROL IS INVOLVED. THEY SPECULATED THAT PARTIAL

CONFIDENTIAL

PAGE 03 GEORGE 01642 01 OF 02 131751Z

TAKING MIGHT RELATED TO PRODUCTION SHARES, BUT COULD NOT SEE HOW REYNOLDS INTERESTS COULD BE SAFEGUARDED UNDER SUCH AN ARRANGEMENT. HUNT ASSURED REYNOLDS TEAM THAT THEY COULD CLAIM TO FULL EXTENT OF COVERAGE IN EVENT OF A PARTIAL NATIONALIZATION WHICH DEPRIVES REYNOLDS OF CONTROL OVER SUBSTANTIAL PORTION OF ASSETS OF ITS GUYANA OPERATION. AMBASSADOR TOLD ROBERTS THAT HE WOULD MAKE SURE THAT THIS FACTOR WAS BROUGHT PROMPTLY TO ATTENTION OF GOG.

7. REYNOLDS TEAM SOUGHT ADVICE ON WHETHER TO GIVE GOG COPY OF STATEMENT AND CLAIM FIGURE AS REQUESTED BY JACK. HUNT EXPRESSED SURPRISE AT FAILURE TO DELIVER COPY OF STATEMENT AT FIRST MEETING AS REYNOLDS OBJECTIVE WAS TO MAKE CLEAR RECORD OF ITS POSITION AT THE OUTSET. DISCUSSION OF ISSUE OF PUTTING FORTH CLAIM FIGURE REVEALED THAT ALTHOUGH REYNOLDS WOULD NOT BE DETERRED FROM DOING SO BY CONCERNS OVER NATIONALIZATION RECORD, IT IS INADEQUATELY PREPARED TO PRESENT A CLAIM AND ITS TEAM CANNOT FOLLOW THROUGH PROMPTLY WITH COMPENSATION NEGOTIATIONS. ROBERTS AND GALEA LEAVE OVER THE WEEKEND FOR A DAY OR TWO OF TALKS IN PARAMARIBO STARTING SEPT 16, AND THEY EXPECT TO RETURN TO RICHMOND FROM THERE.

8. ROBERTS INITIAL RESPONSE TO QUESTIONS ABOUT REYNOLDS COMPENSATION CLAIM WAS TO EFFECT THAT A NUMBER OF APPROACHES COULD BE TAKEN AND THAT MORE WORK HAD TO BE DONE ON FIGURES. PRESSED FOR WHAT KIND OF CLAIM COMPANY THINKS SHOULD BE PUT FORWARD, NOTING THAT IT WILL BE NEGOTIATING IN RESPECT OF ITS UNINSURED INTEREST ALSO, ROBERTS SAID THEY FEEL BEST APPROACH IS REPLACEMENT COST ADJUSTED FOR DEPRECIATION. THEY ARE STILL WORKING ON FIGURES TO RECONCILE SOME DISCREPANCIES IN DEPRECIATION CHARGES, BUT FIGURE WILL BE BETWEEN US DOLS 22 AND DOLS 23 MILLION. COMPANY HAS NOT PREPARED A FORMAL CLAIM PRESENTATION, STATING CASE FOR VALUATION APPROACH AND ANNEXING SUPPORTING DATA. HUNT URGED THAT THIS BE DONE PROMPTLY. (GILBERT SHOULD FOLLOW UP WITH RICHMOND ON THIS.) REPLACEMENT VALUES BASED ON MARSHALL & SWIFT PRICE INDEX RATHER THAN EQUIPMENT QUOTES.

NOTE BY OC/T: NOT PASSED OPIC.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 GEORGE 01642 02 OF 02 131846Z

42

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 (ISO) W

----- 007395

O 131710Z SEP 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 296

C O N F I D E N T I A L FINAL SECTION OF 2 GEORGETOWN 1642

EXDIS

E.O. 11652: GDS
TAGS: EINV, EMIN, GY
SUBJECT: REYNOLDSS

DEPARTMENT PASS OPIC

9. WE CALLED ATTENTION OF REYNOLDS GROUP TO DISCREPANCY BETWEEN REYNOLDS FIGURE FOR NET BOOK VALUE OF ASSETS (DOLS 15.3 AS OF JULY 31) AND DOLS 10.6 MILLION FIGURE GOG HAS REFERRED TO ROBERTS NOTED THAT IN ALL THE DATA GOG SOUGHT FROM REYNOLDS SINCE DECEMBER 1973 THEY NEVER ASKED FOR A REYNOLDS GUYANA BALASKE SHEET, SO GOG FIGURE CONSTRUCTED FROM OTHER DATA. ALSO LIKELY THAT GOG FIGURE DOES NOT INCLUDE RECEIVABLES (WHICH PRIMARILY OUTSIDE GUYANA AND RANGE AROUND DOLS 5 MILLION) AND IS A DEC. 31, 1973 FIGURE. BOTH REYNOLDS NET BOOK AND RE PLACEMENT VALUE FIGURES INCLUDE ALL ASSETS, INCLUDING RECEIVABLES. OBVIOUS NEED TO GET ALL PARTIES STARTED OFF TALKING IN COMMON, ADEQUATELY DEFINED FRAMEWORK THAT PUTS SUCH SPECIAL VARIABLES AS RECEIVABLES TO ONE SIDE.

10. DISCUSSION TURNED TO COMPENSATION TERMS. TURNED QUESTION OF PAYMENT PERIOD BACK TO REYNOLDS TEAM AND THEY SAID THEY WERE THINKING OF 5-10 YEARS. URGED THAT THEY STRESS COMMERCIAL INTEREST RATE, SUBSTANTIAL CASH AND PAYMENT PERIOD MEASURED BY, BUT NOT LIMITED TO, RETURN GOG CAN REALIZE ON THESE ASSETS.

11. REYNOLDS TEAM WORKING TO REFINE ITS REPLACEMENT VALUE FIGURE AND EXPECTS TO GIVE IT ORALLY AT TODAY'S MEETING, TOGETHER WITH CONFIDENTIAL

CONFIDENTIAL

PAGE 02 GEORGE 01642 02 OF 02 131846Z

COPY OF YESTERDAY'S STATEMENT.

12. AMBASSADOR AND HUNT MET WITH FORMIN RAMPHAL AT HIS RESIDENCE AT 8 PM THURSDAY. MEETING HAD BEEN ARRANGED EARLY THURSDAY AT AMBASSADOR'S INITIATIVE. USED MEETING TO REPORT JACK'S MENTION OF PARTIAL NATIONALIZATION AND STRESS THAT FULL CLAIM ON OPIC INSURANCE COULD RESULT. RAMPHAL SCOFFED AT JACK'S SUGGESTIONS. WE EXPLAINED REYNOLDS STATEMENT IN TERMS JAMAICA AND LEGAL RECORD TEMS AND RAMPHAL INDICATED GOG WOULD UNDERSTAND.

13. HUNT DESCRIBED OPIC ROLE AND READINESS TO WORK WITH GOG TO BE SURE NEW FACTOR OF INSURANCE BLAS UNDERSTOOD AND COULD OPERATE CONSTRUCTIVELY. WE AVOIDED MENTION OF NUMBERS OR THEORIES OF VALUATION, BUT HUNT SAID THAT IF GOG APPROACHED REYNOLDS CASE AS IT WOULD A MAJOR ACQUISITION OF CAPITAL EQUIPMENT BY GUYBAU, OPIC COULD PUT ON ITS "INVESTMENT BANKER HAT".

14. RAMPHAL DID NOT SEEK TO HAVE US ELABORATE ON IDEAS OF PRICE OR TERMS AND HE DID NOT REFER TO GOG POSITION. HE WAS OBVIOUSLY PLEASED AT SUCCEEDING IN GETTING ATTORNEY GENERAL (HO IS

UNDER HIM) MADE PART OF TEAM, AND HE SAYS HE IS A GOOD LAWYER AND, UNLIKE JACK, A GOOD NEGOTIATOR, WHO UNDERSTANDS ABOUT EXAGGERATED OPENING POSITIONS AND THE LIKE. HUNT NOTED THAT WE HAD STRESSED WITH REYNOLDS THE IMPORTANCE OF BASING ITS CLAIM ON REALISTIC AND OBJECTIVELY DEMONSTRABLE ACCOUNTING AND VALUATION DATA, SO THE COMPANY MAY NOT BE TAKING THE KIND OF APPROACH TO NEGOTIATIONS THE FOREIGN MINISTER HAD REFERRED TO. RAMPHAL STILL EXPRESSED SATISFACTION THAT TALKS WERE ON RIGHT TRACK, HAVING SHIFTED FROM TAX TO COMPENSATION, AND HE SEEMED TO THINK ATTORNEY GENERAL'S INVOLVEMENT IMPROVED PROSPECTS FOR CONSTRUCTIVE NEGOTIATION. HE RECALLED THE PROLONGED AND DETAILED NEGOTIATIONS OVER VALUE IN THE ALCAN CASE WHICH HE SALVAGED BY STEPPING IN AT THE ELEVENTH HOUR TO FACILITATE THE BARGAINED COMPROMISE THAT CLOSED THE GAP LEFT BY THE WEEKS OF VALUATION DISCUSSIONS.

15. AMBASSADOR WELCOMED GOG MOVE FROM TAX TO COMPENSATION DISCUSSIONS, BUT REPEATED WARNING THAT ANY SUBSTANTIAL GOG TAX AGAINST REYNOLDS IN NATIONALIZATION CONTEXT WOULD CREATE PROBLEMS. RAMPHAL SAID NEW LEVEY NOT COMPLETELY OUT OF PICTURE BUT SHOULD BE A MANAGEABLE ISSUE IF AGREEMENT CAN BE REACHED ON CONFIDENTIAL

CONFIDENTIAL

PAGE 03 GEORGE 01642 02 OF 02 131846Z

COMPENSATION AND LEVY BECOMES A SUBSIDIARY, FACE-SAVING ISSUE FOR GOG. HUNT POINTED OUT THAT ISSUE OF PARITY BETWEEN REYNOLDS AND GUYBAU TAXES WILL REMAIN IMPORTANT, AND ANY NEW LEVY NOT IMPOSED ON COMPARABLE GUYBAU PRODUCT AND PASSED ON TO ITS CUSTOMERS WOULD CAUSE DIFFICULTIES. RAMPHAL SAID HE UNDERSTOOD.

16. RAMPHAL EXPECTED TO TALK TO JACK BEFORE TODAY'S REYNOLDS MEETING AND WILL TRY TO CLEAR UP THE "PARTIAL NATIONALIZATION" CONFUSION. HE HAS ARRANGED FOR AMBASSADOR AND HUNT TO MEET WITH JACK MORNING SEPT 16.
KREBS

NOTE: NOT PASSED OPIC.

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMPENSATION, NATIONALIZATION, BAUXITE, MINING INDUSTRY, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 SEP 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974GEORGE01642
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740256-1127
From: GEORGETOWN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740949/aaaabpae.tel
Line Count: 263
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 16 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 SEP 2002 by boyleja>; APPROVED <03 MAR 2003 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REYNOLDS DEPARTMENT PASS OPIC
TAGS: EINV, EMIN, GY, REYNOLDS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005